

**CALIFORNIA STATE UNIVERSITY
SAN MARCOS FOUNDATION**

Financial Statements and Supplemental Information

Years Ended June 30, 2008 and 2007 (Restated)

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION
Financial Statements and Supplemental Information
Years Ended June 30, 2008 and 2007 (Restated)

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplemental Information:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	13
Report on Compliance with Requirements Applicable To Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	15
Schedule of Expenditures of Federal Awards	17
Note to Schedule of Expenditures of Federal Awards	19
Schedule of Findings and Questioned Costs	20
Supplemental California State University San Marcos Supporting Schedules:	
California State University San Marcos Supporting Schedules	23
California State University San Marcos Footnotes to Supporting Schedules	25



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INDEPENDENT AUDITORS' REPORT

Board of Directors
California State University San Marcos Foundation
San Marcos, California

We have audited the accompanying statements of financial position of California State University San Marcos Foundation (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of California State University San Marcos Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California State University San Marcos Foundation as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 14, subsequent to the issuance of the California State University San Marcos Foundation's 2007 financial statements and our report dated October 9, 2007, we became aware that those financial statements reflected incorrect assets and revenues. In our original report we provided an unqualified opinion on the 2007 financial statements, and our opinion on the restated financial statements, as expressed herein, remains unqualified.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2008 on our consideration of California State University San Marcos Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of California State University San Marcos Foundation taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The accompanying California State University San Marcos supporting schedules as required by California State University San Marcos are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

AKT LLP

Carlsbad, California
October 6, 2008

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION**Statements of Financial Position**

June 30, 2008 and 2007 (Restated)

	2008	(Restated) 2007
ASSETS		
Current Assets:		
Cash	\$ 6,570,542	\$ 8,792,749
Accounts receivable, sponsored programs, net of allowance for doubtful accounts of \$140,020 (2008) and \$0 (2007)	782,403	2,023,077
Other receivables	494,359	174,887
Deposits	220,950	162,925
Investments	2,557,727	-
Pledges receivable, net	1,227,940	1,750,525
Current portion of note receivable - related party	-	65,814
Inventory	1,045,697	729,841
Total Current Assets	12,899,618	13,699,818
Other Assets:		
Cash - restricted	1,565,559	1,002,857
Pledges receivable, net	985,655	1,678,872
Investments	14,656,912	14,122,701
Other assets	61,081	195,972
Notes receivable - related parties, net of current portion	-	229,486
Property and equipment, net	1,237,762	7,290,816
Total Other Assets	18,506,969	24,520,704
Total Assets	\$ 31,406,587	\$ 38,220,522
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 434,090	\$ 1,408,365
Deferred revenue	667,725	685,803
Accrued payroll and benefits	715,269	648,950
Other current liabilities	68,059	118,437
Total Current Liabilities	1,885,143	2,861,555
Net Assets:		
Unrestricted:		
Board designated:		
Operating reserves	2,295,712	3,647,641
Program reserves	2,602,674	2,151,053
Campus programs	2,781,157	6,612,300
Equipment	1,237,762	1,113,418
Scholarship	504,899	303,809
Total Unrestricted	9,422,204	13,828,221
Temporarily restricted	4,612,656	8,829,785
Permanently restricted	15,486,584	12,700,961
Total Net Assets	29,521,444	35,358,967
Total Liabilities and Net Assets	\$ 31,406,587	\$ 38,220,522

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION

Statement of Activities

Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Gains and Other Support:				
Federal grants and contracts	\$ 4,396,539	\$ -	\$ -	\$ 4,396,539
Other sponsored programs	4,145,934	-	-	4,145,934
Campus programs	2,775,725	-	-	2,775,725
Commercial operations	5,739,165	-	-	5,739,165
Contributions	1,348,637	294,556	1,332,513	2,975,706
Investment income	195,744	316,725	-	512,469
Net realized and unrealized losses on investments	-	(1,236,300)	-	(1,236,300)
Rental income	309,312	-	-	309,312
Gain on sale of mineral rights	-	-	1,453,110	1,453,110
Net assets released from restriction, satisfaction of program restrictions	<u>3,592,110</u>	<u>(3,592,110)</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains and Other Support	22,503,166	(4,217,129)	2,785,623	21,071,660
Expenses:				
Program Services:				
Sponsored programs	5,933,535	-	-	5,933,535
Campus programs	5,738,260	-	-	5,738,260
Commercial operations	5,007,243	-	-	5,007,243
Student scholarships	611,683	-	-	611,683
Occupancy and student housing	133,602	-	-	133,602
Total Program Services	<u>17,424,323</u>	<u>-</u>	<u>-</u>	<u>17,424,323</u>
General administration	1,803,722	-	-	1,803,722
Contribution of property and equipment	<u>7,681,138</u>	<u>-</u>	<u>-</u>	<u>7,681,138</u>
Total Expenses	<u>26,909,183</u>	<u>-</u>	<u>-</u>	<u>26,909,183</u>
Increase (Decrease) in Net Assets	(4,406,017)	(4,217,129)	2,785,623	(5,837,523)
Net Assets, beginning	<u>13,828,221</u>	<u>8,829,785</u>	<u>12,700,961</u>	<u>35,358,967</u>
Net Assets, ending	<u>\$ 9,422,204</u>	<u>\$ 4,612,656</u>	<u>\$ 15,486,584</u>	<u>\$ 29,521,444</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION**Statement of Activities**

Year Ended June 30, 2007 (Restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Gains and Other Support:				
Federal grants and contracts	\$ 5,164,634	\$ -	\$ -	\$ 5,164,634
Other sponsored programs	7,143,986	-	-	7,143,986
Campus programs	1,934,190	-	-	1,934,190
Commercial operations	5,575,541	-	-	5,575,541
Contributions	456,358	1,979,599	358,728	2,794,685
Investment income	763,069	667,823	-	1,430,892
Net realized and unrealized gains on investments	-	808,533	-	808,533
Rental income	382,905	-	-	382,905
Net assets released from restriction, satisfaction of program restrictions	<u>1,752,682</u>	<u>(1,752,682)</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains and Other Support	23,173,365	1,703,273	358,728	25,235,366
Expenses:				
Program Services:				
Sponsored programs	6,386,468	-	-	6,386,468
Campus programs	3,349,575	-	-	3,349,575
Commercial operations	5,466,008	-	-	5,466,008
Student scholarships	448,100	-	-	448,100
Occupancy and student housing	126,034	-	-	126,034
Total Program Services	<u>15,776,185</u>	<u>-</u>	<u>-</u>	<u>15,776,185</u>
General administration	<u>1,703,439</u>	<u>-</u>	<u>-</u>	<u>1,703,439</u>
Total Expenses	<u>17,479,624</u>	<u>-</u>	<u>-</u>	<u>17,479,624</u>
Increase in Net Assets	5,693,741	1,703,273	358,728	7,755,742
Net Assets, beginning	<u>8,134,480</u>	<u>7,126,512</u>	<u>12,342,233</u>	<u>27,603,225</u>
Net Assets, ending	<u>\$ 13,828,221</u>	<u>\$ 8,829,785</u>	<u>\$ 12,700,961</u>	<u>\$ 35,358,967</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION**Statements of Cash Flows**

Years Ended June 30, 2008 and 2007 (Restated)

	2008	(Restated) 2007
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ (5,837,523)	\$ 7,755,742
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	282,801	283,340
Amortization	-	20,258
Noncash contribution of property and equipment	7,681,138	-
Net realized and unrealized (gains) losses on investments	1,236,300	(808,533)
Gain on sale of mineral rights	(1,453,110)	-
Change in operating assets and liabilities:		
Accounts receivable, sponsored programs, net	1,240,674	(350,369)
Other receivables	(319,472)	7,126
Deposits	(58,025)	419,766
Pledges receivable, net	1,215,802	(1,398,092)
Inventory	(315,856)	(82,513)
Accounts payable	(974,275)	825,023
Deferred revenue	(18,078)	203,107
Accrued payroll and benefits	66,319	13,143
Other current liabilities	(50,378)	(16,522)
Net Cash Provided by Operating Activities	2,696,317	6,871,476
Cash Flows from Investing Activities:		
Purchases of investments	(12,165,319)	(2,307,954)
Proceeds from sale of investments	7,837,081	1,300,000
Proceeds from sale of mineral rights	1,588,001	-
Loan payments from related parties	295,300	238,761
Purchases of property and equipment	(1,910,885)	(5,166,060)
Net Cash Used by Investing Activities	(4,355,822)	(5,935,253)
Net Increase (decrease) in cash	(1,659,505)	936,223
Cash, beginning	9,795,606	8,859,383
Cash, ending	\$ <u>8,136,101</u>	\$ <u>9,795,606</u>
Cash consists of the following:		
Cash	\$ 6,570,542	\$ 8,792,749
Cash - restricted	1,565,559	1,002,857
	\$ <u>8,136,101</u>	\$ <u>9,795,606</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2008 and 2007 (Restated)

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

California State University San Marcos Foundation (Foundation) is a nonprofit California corporation which is an auxiliary organization of The California State University (University), organized and operated in accordance with the California Code of Regulations and the Education Code of the State of California. The Foundation was organized in December 1989 to assist the University in various activities, including developing and administering research and educational grants and contracts; accumulating and managing endowment and student scholarship funds; and administering various education related functions, special programs and other activities.

The Foundation's financial statements are included as a component unit of the University's annual general-purpose financial statements. This is required by government accounting standards which apply to the University.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period.

Revenue from grants/contracts is recognized to the extent of eligible costs incurred up to an amount not to exceed the total grant/contract authorized. Deferred revenue results from grant awards received that are applicable to the subsequent period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2008 and 2007 (Restated)

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with realized and unrealized gains and losses included in the change in net assets.

Accounts Receivable

The accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. No allowance was considered necessary at June 30, 2007 because management believed all amounts were collectible.

Pledges Receivable

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are discounted to their estimated net present value. After pledges are originally recorded, an allowance for uncollectible pledges may be established based on specific circumstances.

Inventory

Inventory consists primarily of education books and is valued at the lower of cost (first-in, first-out method) or market.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at the fair market value of the contribution, if donated. Certain equipment acquired through grant and contract exchange transactions is subject to restrictions on its use and disposition subsequent to the conclusion of the related grants and contracts. Equipment acquired through exchange transactions is expensed as an allowable grant expenditure. A physical inventory list is maintained by the Foundation of these assets as required by the grant funding agency. The funding source may have a reversionary interest in the property as well as the right to determine the use of any proceeds from sale of equipment purchased with their respective funds.

Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment, generally three to 10 years.

Mineral Rights

Mineral rights were being amortized using the straight-line method over a period of seven years and were included in other assets. The mineral rights were sold in the year ended June 30, 2008.

Income Taxes

The Foundation is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. This exemption is for all income taxes except for those assessed on unrelated business income, if any. In order to maintain that status, the Foundation is precluded from making certain expenditures, principally in support of political parties. Management believes that no such expenditures have been made. The Foundation is not a private foundation.

Note 2 – Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2008 and 2007 (Restated)

Note 3 – Concentration of Credit Risk

The Foundation maintains its cash in bank accounts which, at times, may exceed federal insured limits. The Foundation manages the risk by using only high quality financial institutions.

Note 4 – Restricted Cash

Cash is restricted for the following purposes:

	<u>2008</u>	<u>2007</u>
Endowment	\$ 1,326,034	\$ 1,002,857
Student loans	<u>239,525</u>	<u>-</u>
	<u>\$ 1,565,559</u>	<u>\$ 1,002,857</u>

Note 5 – Investments

Investments consist of the following:

	<u>2008</u>	<u>2007</u>
Equity fund	\$ 9,718,673	\$ 8,253,873
Bond fund	5,704,298	4,540,788
Alternative investments	<u>1,791,668</u>	<u>1,328,040</u>
	<u>\$ 17,214,639</u>	<u>\$ 14,122,701</u>

Investments are classified in the statements of financial position as follows:

	<u>2008</u>	<u>2007</u>
Short-term investments	\$ 2,557,727	\$ -
Long-term investments	<u>14,656,912</u>	<u>14,122,701</u>
	<u>\$ 17,214,639</u>	<u>\$ 14,122,701</u>

Note 6 – Other Receivables

Other receivables consist of the following:

	<u>2008</u>	<u>2007</u>
Advances to San Marcos University Corporation	\$ 324,465	\$ 20,890
Other	<u>169,894</u>	<u>153,997</u>
	<u>\$ 494,359</u>	<u>\$ 174,887</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION
Notes to Financial Statements
Years Ended June 30, 2008 and 2007 (Restated)

Note 7 – Pledges Receivable

Pledges receivable consist of the following:

	<u>2008</u>	<u>2007</u>
Gross pledges	\$ 4,927,878	\$ 6,678,001
Less imputed discount	(1,635,662)	(1,623,554)
	<u>3,292,216</u>	<u>5,054,447</u>
Less allowance for uncollectible pledges	(1,078,621)	(1,625,050)
	<u>\$ 2,213,595</u>	<u>\$ 3,429,397</u>
	<u>2008</u>	<u>2007</u>
Pledges receivable consist of the following:		
Due in less than one year	\$ 1,227,940	\$ 1,750,525
Due after one to five years	280,590	1,118,686
Due after five years	<u>705,065</u>	<u>560,186</u>
	<u>\$ 2,213,595</u>	<u>\$ 3,429,397</u>

The net present value of the pledges due in more than one year is discounted at the rate of 5% and 5.5% for the years ended June 30, 2008 and 2007, respectively.

Note 8 – Property and Equipment

Property and equipment consist of the following:

	<u>2008</u>	<u>2007</u>
Equipment	\$ 1,139,433	\$ 1,139,433
Leasehold improvements	1,737,591	1,330,447
Construction in progress	-	6,177,397
	<u>2,877,024</u>	<u>8,647,277</u>
Less accumulated depreciation	(1,639,262)	(1,356,461)
	<u>\$ 1,237,762</u>	<u>\$ 7,290,816</u>

Note 9 – Notes Receivable - Related Parties

In 2006, the Foundation loaned \$184,335 to a member of its board of directors. Quarterly interest only payments at 4% were due for the first five years. The loan was paid in full during the year ended June 30, 2007.

The Foundation had a note receivable of \$295,300 due from the University. Annual payments of \$83,089, including interest at 6%, were due December 2007 through December 2010. The loan was paid in full during the year ended June 30, 2008

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION
Notes to Financial Statements
Years Ended June 30, 2008 and 2007 (Restated)

Note 10 – Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Campus programs		
Capital improvements	\$ 2,361,376	\$ 4,532,232
Student scholarships	74,591	131,804
Other	<u>2,176,689</u>	<u>4,165,749</u>
	<u>\$ 4,612,656</u>	<u>\$ 8,829,785</u>

Earnings from permanently restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Endowments		
Campus programs	\$ 5,545,940	\$ 4,663,531
Student scholarships	8,217,183	6,711,396
Student loans	<u>1,723,461</u>	<u>1,326,034</u>
	<u>\$ 15,486,584</u>	<u>\$ 12,700,961</u>

Note 11 – Commitments and Contingencies

Leases

The Foundation has entered into various operating lease agreements for office facilities. The agreements require annual and monthly payments which are adjusted annually based on the consumer price index. The lease agreement for 435 E. Carmel Street may be terminated by either party upon a six-month written notice. Total rent expense was approximately \$131,000 and \$139,000 for the years ended June 30, 2008 and 2007, respectively.

The Foundation leases equipment under various lease agreements and has a computer refresh program with the University. Rent expense associated with equipment leases was approximately \$6,000 and \$53,000 for the years ended June 30, 2008 and 2007, respectively.

The minimum future rental payments are as follows:

Year ending June 30,	
<u>2009</u>	\$ 64,444
Thereafter	<u>-</u>
	<u>\$ 64,444</u>

Postretirement Medical Program

The Foundation formed a postretirement program in 2006 which provides medical and dental coverage to retiring employees aged 65 with at least 10 years of service. Medical coverage will be provided through the CalPERS medical program. Dependents of eligible retirees will also receive lifetime medical coverage. The net present value of future costs was calculated using a discount rate of 6%. Future postretirement cost of \$464,880 and \$309,920 is included in accrued payroll and benefits in the statements of financial position at June 30, 2008 and 2007, respectively.

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2008 and 2007 (Restated)

Note 12 – Transactions with Affiliates

Reimbursed Costs

The Foundation reimburses the University for salaries and other program related costs for personnel working on contracts, grants and other programs. The total amount paid to the University for these services was \$5,784,387 and \$3,646,507 for the years ended June 30, 2008 and 2007, respectively. Amounts due to the University at June 30, 2008 and 2007 were \$294,568 and \$236,449, respectively.

The University reimburses the Foundation for services, space, and programs. The total amount received by the Foundation was \$1,513,551 and \$1,216,364 for the years ended June 30, 2008 and 2007, respectively. Amounts due from the University at June 30, 2008 and 2007 were \$40,654 and \$74,741, respectively.

Operating Advance

In July 2004, the Foundation entered into an agreement with San Marcos University Corporation to advance money for certain personnel and other operating services. An advance due from the San Marcos University Corporation, including accrued interest, was \$324,465 and \$20,890 at June 30, 2008 and 2007, respectively.

Contribution of Property and Equipment

In September 2007, the Foundation contributed property and equipment to San Marcos University Corporation to provide day care services to faculty, staff and the community. The total value of property transferred was \$7,681,138.

Note 13 – Reclassifications

Certain items in the 2007 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported changes in net assets.

Note 14 – Restatement of Financial Statements

The statement of financial position and statement of activities for the year ended June 30, 2007 has been restated due to the discovery of a pledge receivable for \$2,000,000 that should have been recorded in the year ended June 30, 2007. The inclusion of this pledge in the restated 2007 financial statements has the effect of increasing assets by \$2,000,000 less the imputed discount of \$118,140 and the estimated allowance for uncollectible pledges receivable of \$399,540 at June 30, 2007. The net increase in assets at June 30, 2007 is \$1,482,320. In addition, in the 2007 statement of activities contributions and the change in net assets also increased \$1,482,320.

Note 15 – Subsequent Event

A portion of the Foundation's investments are held in the Commonfund's Short-Term account, which consist of a money market account managed by Wachovia Bank. As of June 30, 2008, the balance in the account was \$559,596. On September 29, 2008, Wachovia bank experienced liquidity problems and initiated actions to restrict access to account balances. On the day prior to the restriction action, the Foundation's balance in the Commonfund's Short-Term account was \$61,286. As of the date of this report, immediate access to the full account balance is restricted until the solvency issues surrounding Wachovia Bank are resolved.

SUPPLEMENTAL INFORMATION



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
California State University San Marcos Foundation
San Marcos, California

We have audited the financial statements of California State University San Marcos Foundation (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered California State University San Marcos Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of California State University San Marcos Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the deficiency 2008-1 described in the accompanying schedule of findings and questioned costs to be a material weakness in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether California State University San Marcos Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

(continued)

and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

California State University San Marcos Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit California State University San Marcos Foundation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, board of directors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

AKT LLP

Carlsbad, California
October 6, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
California State University San Marcos Foundation
San Marcos, California

Compliance

We have audited the compliance of California State University San Marcos Foundation with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. California State University San Marcos Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of California State University San Marcos Foundation's management. Our responsibility is to express an opinion on California State University San Marcos Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about California State University San Marcos Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of California State University San Marcos Foundation's compliance with those requirements.

In our opinion, California State University San Marcos Foundation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of California State University San Marcos Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered California State University San Marcos Foundation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of California State University San Marcos Foundation's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

(continued)

noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, board of directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

AKT LLP

Carlsbad, California
October 6, 2008

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

Federal/Pass-Through Grantor and Program Title	Federal CFDA Number	Agency or Pass-through Grantor Number	Expenditures
<u>National Institutes of Health</u>			
Direct Programs:			
Drug Abuse and Addiction Research	93.279	N/A	\$ 44,681
Gene Discovery Research	93.855	N/A	176,427
Microbiology and Infectious Diseases Research	93.856	N/A	368,760
Biomedical Research and Research Training	93.859	N/A	1,147,929
Marc u star	93.880	N/A	219,168
Bridges to Future	93.960	N/A	7,067
			<u>1,964,032</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
TRIO Cluster:			
TRIO - Student Support Services	84.042	N/A	264,435
TRIO - Talent Search	84.044	N/A	216,441
TRIO - Upward Bound	84.047	N/A	330,982
			<u>811,858</u>
Strengthening Institutions	84.031	N/A	343,396
Gear Up	83.334	N/A	83
Strengthening Global Studies and World Languages Program	84.016	N/A	116,560
Migrant Education - College Assistance Migrant Program	84.149	N/A	428,264
Fund for the improvement of Education	84.215	N/A	34,753
National Writing Project	84.928	N/A	42,129
			<u>965,185</u>
Passed Through from California Department of Education:			
Improving Teacher Quality State Grant	84.367	N/A	51,458
Total U.S. Department of Education			<u>1,828,501</u>
<u>Department of Health and Human Services</u>			
Direct Programs:			
Community Programs to Improve Minority Health	93.137	N/A	55,709
Passed Through from Various Organizations:			
Centers for Disease Control and Prevention, Investigations and Technical Assistance	93.283	WPOSJN	3,947
			<u>59,656</u>
<u>National Oceanic and Atmospheric Administration</u>			
Passed Through from San Jose State University:			
Coastal Services Center	11.473	N/A	453

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION

Schedule of Expenditures of Federal Awards, Continued

Year Ended June 30, 2008

Federal/Pass-Through Grantor and Program Title	Federal CFDA Number	Agency or Pass-through Grantor Number	Expenditures
<u>National Science Foundation</u>			
Direct Programs:			
Geosciences	47.050	N/A	139,980
Biological Sciences	47.074	N/A	10,783
Social, Behavioral, and Economic Sciences	47.075	N/A	47,065
Education and Human Resources	47.076	N/A	168,265
Polar Programs	47.078	N/A	124,420
			<u>490,513</u>
Passed Through from Ohio State University:			
Biological Sciences	47.074	MCB-0418891	7,891
Passed Through from San Diego State University:			
Education and Human Resources	47.076	N/A	371
			<u>371</u>
Total National Science Foundation			<u>498,775</u>
<u>National Security Agency</u>			
Direct Program:			
Diffusion Limits	12.901	N/A	5,849
			<u>5,849</u>
<u>National Institute of Justice</u>			
Direct Program:			
Juvenile Accountability Incentive Block Grant	16.501	N/A	1,456
			<u>1,456</u>
<u>U.S. Department of the Interior</u>			
Direct Program:			
U.S. Geological Survey - Research and Data Collection	15.808	N/A	1,969
			<u>1,969</u>
<u>U.S. Department of Agriculture, Forest Service</u>			
Direct Program:			
Forestry Research	10.652	N/A	33,160
			<u>33,160</u>
<u>National Foundation on the Arts and Humanities</u>			
Direct Program:			
Promotion of Humanities Research Program	45.161	N/A	1,620
			<u>1,620</u>
<u>National Archives and Records Administration</u>			
Direct Program:			
National Historical Publications and Records Grant	89.003	N/A	1,068
			<u>1,068</u>
Total expenditures of federal awards			<u>\$ 4,396,539</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION
Note to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Note 1 – Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of California State University San Marcos Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified
Internal control over financial reporting:
Significant deficiency(ies) identified? ___yes x_no
Material weakness(es) identified? x_yes ___no
Noncompliance material to the financial statements noted? ___yes x_no

Federal Awards

Internal control over major programs:
Significant deficiency(ies) identified? ___yes x_no
Material weakness(es) identified? ___yes x_no
Type of auditors’ report issued on compliance for major programs: Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? ___yes x_no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.016	Strengthening Global Studies and World Languages
84.031	Strengthening Institutions
93.279	<u>R&D Cluster:</u> Drug Abuse and Addiction Research
93.283	Centers for Disease Control and Prevention, Investigations and Technical Assistance
93.855	Gene Discovery Research
93.856	Microbiology and Infectious Diseases Research
93.859	Biomedical Research and Research Training
93.880	Marc-U-Star

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? x_yes ___no

CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2008

Section II – Financial Statement Findings

2008-1 Pledges Receivable

During the 2008 audit, we identified a \$2,000,000 pledge that was reported as contribution revenue in the year ended June 30, 2008. This pledge was dated and received by the development department during the year ended June 30, 2007 but was not recorded until the subsequent year. We consider this to be a material weakness in internal control over financial reporting.

We recommend that the Foundation adopt policies and procedures to obtain all pledged contributions from the development department on a timely basis and discuss all major pledges at the monthly board meetings when received.

Management's Response and corrective action:

We concur. The Foundation shall develop a written internal procedure to ensure that all pledged contributions are received from the University Advancement Division on a timely basis and that all major pledges will be discussed at the monthly finance committee meetings in the same period they were received.

Section III – Federal Award Findings

None

**SUPPLEMENTAL CALIFORNIA STATE UNIVERSITY SAN MARCOS
SUPPORTING SCHEDULES**

CSU San Marcos Foundation
Schedule of Net Assets
June 30, 2008
(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 6,570,542
Short-term investments	2,557,727
Accounts receivable, net	1,276,762
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	1,227,940
Prepaid expenses and other assets	1,266,647
Total current assets	12,899,618

Noncurrent assets:

Restricted cash and cash equivalents	1,565,559
Accounts receivable, net	—
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	985,655
Endowment investments	14,160,550
Other long-term investments	496,362
Capital assets, net	1,237,762
Other assets	61,081
Total noncurrent assets	18,506,969
Total assets	31,406,587

Liabilities:

Current liabilities:

Accounts payable	434,090
Accrued salaries and benefits payable	560,144
Accrued compensated absences— current portion	155,125
Deferred revenue	667,725
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	—
Self-insurance claims liability - current portion	—
Other liabilities	68,059
Total current liabilities	1,885,143

Noncurrent liabilities:

Accrued compensated absences, net of current portion	—
Deferred revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Self-insurance claims liabilities, net of current portion	—
Depository accounts	—
Other liabilities	—
Total noncurrent liabilities	—
Total liabilities	1,885,143

Net assets:

Invested in capital assets, net of related debt	1,237,762
Restricted for:	
Nonexpendable – endowments	15,486,584
Expendable:	
Scholarships and fellowships	74,591
Research	—
Loans	—
Capital projects	2,361,376
Debt service	—
Other	2,176,689
Unrestricted	8,184,442
Total net assets	\$ 29,521,444

CSU San Marcos Foundation
Schedule of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2008
(for inclusion in the California State University)

Revenues:

Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$ _____)	\$ —
Grants and contracts, noncapital:	
Federal	4,396,539
State	870,772
Local	2,279,352
Nongovernmental	995,810
Sales and services of educational activities	3,085,037
Sales and services of auxiliary enterprises (net of scholarship allowances of \$ _____)	5,739,165
Other operating revenues	—
Total operating revenues	<u>17,366,675</u>

Expenses:

Operating expenses:	
Instruction	2,274,091
Research	2,582,223
Public service	474,269
Academic support	790,040
Student services	686,170
Institutional support	3,476,629
Operation and maintenance of plant	—
Student grants and scholarships	611,683
Auxiliary enterprise expenses	5,007,243
Depreciation and amortization	282,801
Total operating expenses	<u>16,185,149</u>
Operating income (loss)	<u>1,181,526</u>

Nonoperating revenues (expenses):	
State appropriations, noncapital	—
Federal financial aid grants, noncapital	—
State and local financial aid grants, noncapital	—
Nongovernmental and other financial aid grants, noncapital	—
Federal grant - Pell	—
Gifts, noncapital	1,643,193
Investment income, net	195,744
Endowment income	(919,575)
Interest Expenses	—
Interest on capital-related debt	—
Other nonoperating revenues (expenses)	<u>(10,724,034)</u>
Net nonoperating revenues (expenses)	<u>(9,804,672)</u>
Income (loss) before other additions	(8,623,146)

State appropriations, capital	—
Grants and gifts, capital	—
Additions to permanent endowments	<u>2,785,623</u>
Increase (decrease) in net assets	(5,837,523)

Net assets:	
Net assets at beginning of year, as previously reported	33,876,647
Restatements	<u>1,482,320</u>
Net assets at end of year, as restated	<u>\$ 29,521,444</u>

See independent auditors' report.

CSU San Marcos Foundation
Other Information
June 30, 2008
(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2008:

Portion of restricted cash and cash equivalents related to endowments	\$ 1,326,034
All other restricted cash and cash equivalent	<u>239,525</u>
Total restricted cash and cash equivalents	<u>\$ 1,565,559</u>

2 Composition of investments at June 30, 2008:

	<u>Current</u>	<u>Noncurrent Unrestricted</u>	<u>Noncurrent Restricted</u>	<u>Total Noncurrent</u>	<u>Total</u>
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	—	—	—	—	—
Wachovia Short Term Fund	—	—	—	—	—
Wachovia Medium Term Fund	—	—	—	—	—
Wachovia Equity Fund	—	—	—	—	—
Debt securities	—	—	—	—	—
Equity securities	—	—	2,726,451	2,726,451	2,726,451
Fixed income securities (Treasury notes, GNMA's)	365,304	—	—	—	365,304
Real estate	—	—	—	—	—
Certificates of deposit	2,192,423	—	—	—	2,192,423
Notes receivable	—	—	—	—	—
Mutual funds	—	—	10,138,793	10,138,793	10,138,793
Collateralized mortgage obligations	—	—	—	—	—
Inverse floaters	—	—	—	—	—
Interest-only strips	—	—	—	—	—
Agency pass-through	—	—	—	—	—
Private pass-through	—	—	—	—	—
Other investments:	—	—	—	—	—
Hedge Fund - Goldentree	—	—	867,925	867,925	867,925
Hedge Fund - Giovine	—	—	923,743	923,743	923,743
n	—	—	—	—	—
Add description n	—	—	—	—	—
Add description n	—	—	—	—	—
Add description n	—	—	—	—	—
Add description n	—	—	—	—	—
Add description n	—	—	—	—	—
Add description n	—	—	—	—	—
Total investments	<u>2,557,727</u>	<u>—</u>	<u>14,656,912</u>	<u>14,656,912</u>	<u>17,214,639</u>
Less endowment investments (enter as negative number)	<u>—</u>	<u>—</u>	<u>(14,160,550)</u>	<u>(14,160,550)</u>	<u>(14,160,550)</u>
Total investments	<u><u>2,557,727</u></u>	<u><u>—</u></u>	<u><u>496,362</u></u>	<u><u>496,362</u></u>	<u><u>3,054,089</u></u>

2.1 - Restricted noncurrent investments at June 30, 2008 related to:

	<u>Amount</u>
Endowment Funds	\$ 14,160,550
1	496,362
Temporarily restricted - other	—
Add description n	—
Add description n	—
Add description n	—
Add description n	—
Add description n	—
Add description n	—
Add description n	—
Add description n	—
Total restricted noncurrent investments at June 30, 2008	<u><u>\$ 14,656,912</u></u>

CSU San Marcos Foundation
Other Information
June 30, 2008
(for inclusion in the California State University)

3 Composition of capital assets at June 30, 2008:

	Balance June 30, 2007	Prior period Adjustments	Reclassifications	Balance 30-Jun-07 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2008
Nondepreciable capital assets:								
Land and land improvements	\$ —	—	—	—	—	—	—	—
Works of art and historical treasures:	—	—	—	—	—	—	—	—
Construction work in progress (CWIP)	6,177,397	—	—	6,177,397	1,503,741	(7,681,138)	—	—
Total nondepreciable capital assets	6,177,397	—	—	6,177,397	1,503,741	(7,681,138)	—	—
Depreciable capital assets:								
Buildings and building improvement	—	—	—	—	—	—	—	—
Improvements, other than building:	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements:	1,330,447	—	—	1,330,447	407,144	—	—	1,737,591
Personal property:								
Equipmen [†]	1,139,433	—	—	1,139,433	—	—	—	1,139,433
Library books and material [‡]	—	—	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—	—	—
Total depreciable capital assets	2,469,880	—	—	2,469,880	407,144	—	—	2,877,024
Total cost	8,647,277	—	—	8,647,277	1,910,885	(7,681,138)	—	2,877,024
Less accumulated depreciation:								
Buildings and building improvement	—	—	—	—	—	—	—	—
Improvements, other than building:	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements:	560,147	—	—	560,147	216,212	—	—	776,359
Personal property:								
Equipmen [†]	796,314	—	—	796,314	66,589	—	—	862,903
Library books and material [‡]	—	—	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—	—	—
Total accumulated depreciation	1,356,461	—	—	1,356,461	282,801	—	—	1,639,262
Net capital assets	\$ 7,290,816	—	—	7,290,816	1,628,084	(7,681,138)	—	1,237,762

Detail of depreciation and amortization expense for the year ended June 30, 2008:

Depreciation and amortization expense related to capital assets	\$ 282,801
Amortization expense related to other asset:	—
Total depreciation and amortization	\$ 282,801

CSU San Marcos Foundation
Other Information
June 30, 2008
(for inclusion in the California State University)

4 Long-term liabilities activity schedule:

	Balance June 30, 2007	Prior period adjustments	Reclassifications	Balance June 30, 2007 (restated)	Additions	Reductions	June 30, 2008	Current portion	Long-term portion
Accrued compensated absences	\$ 145,336	—	—	145,336	155,125	(145,336)	155,125	155,125	—
Capitalized lease obligations									
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium / (discount) on capitalized lease obligation	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	—	—	—	—	—	—	—	—	—
Long-term debt obligations:									
Revenue Bonds	—	—	—	—	—	—	—	—	—
Other bonds (non-Revenue Bonds), Commercial Paper	—	—	—	—	—	—	—	—	—
Other:									
Description	—	—	—	—	Balance	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Unamortized loss on refunding	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	\$ 145,336	—	—	145,336	155,125	(145,336)	155,125	155,125	—

5 Future minimum lease payments:

	Principal	Interest	Principal and Interest
Year ending June 30:			
2009	—	—	—
2010	—	—	—
2011	—	—	—
2012	—	—	—
2013	—	—	—
2014 - 2018	—	—	—
2019 - 2023	—	—	—
2024 - 2028	—	—	—
2029 - 2033	—	—	—
2034 - 2038	—	—	—
2039 - 2043	—	—	—
2044 - 2048	—	—	—
2049 - 2053	—	—	—
2054 - 2058	—	—	—
Total minimum lease payments	—	—	—
Less amounts representing interest			—
Present value of future minimum lease payments			—
Less: current portion			—
Capitalized lease obligation, net of current portion			\$ —

CSU San Marcos Foundation
 Other Information
 June 30, 2008
 (for inclusion in the California State University)

6 Long-term debt obligation schedule

	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
	Year ending June 30:								
2009	\$ —	—	—	—	—	—	—	—	—
2010	—	—	—	—	—	—	—	—	—
2011	—	—	—	—	—	—	—	—	—
2012	—	—	—	—	—	—	—	—	—
2013	—	—	—	—	—	—	—	—	—
2014 - 2018	—	—	—	—	—	—	—	—	—
2019 - 2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
Total	\$ —	—	—	—	—	—	—	—	—

7 Calculation of net assets - Invested in capital assets, net of related debt

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
Capital assets, net of accumulated depreciation	\$ —	1,237,762	1,237,762
Capitalized lease obligations - current portio	—	—	—
Capitalized lease obligations, net of current portio	—	—	—
Long-term debt obligations - current portio	—	—	—
Long-term debt obligations, net of current portio	—	—	—
Portion of outstanding debt that is unspent at year-en	—	—	—
Other:			
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
Net assets - invested in capital assets, net of related debt	\$ —	1,237,762	1,237,762

CSU San Marcos Foundation
 Other Information
 June 30, 2008
 (for inclusion in the California State University)

8 Transactions with Related Entities

	Amount
Reimbursements to University for salaries of University personnel working on contracts, grants, and other prograr	\$ 848,027
Reimbursements to University for other than salaries of University person	4,936,360
Payments received from University for services, space, and program	1,513,551
Gifts-in-kind to the University from Auxiliary Organizer	—
Amounts (payable to) University (enter as negative number	(294,568)
Amounts receivable from Universit	40,654

9 The nature and amount of the prior period adjustment(s) recorded to beginning net assets

	Net Asset Class	Amount
		Dr. (Cr.)
Net assets as of June 30, 2007, as previously reported		\$ (33,876,647)
Prior period adjustments		
1 Pledge receivable received in the year ended June 30, 2007 but not recorded until the subsequent year		(2,000,000)
2 Imputed discount on the pledge receivabl		118,140
3 Allowance for uncollectible amount of pledge receivabl		399,540
4 (list description of each adjustment		—
5 (list description of each adjustment		—
6 (list description of each adjustment		—
7 (list description of each adjustment		—
8 (list description of each adjustment		—
9 (list description of each adjustment		—
Net assets as of June 30, 2007, as restated		\$ (35,358,967)

Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustments:

	Debit	Credit
Net asset class: Expendable - capital improvements		
1 (breakdown of adjusting journal entry		
Pledges receivable, net (current)	\$ 861,522	
Pledges receivable, net (noncurrent)	620,798	
Expendable - capital improvement		1,482,320
Net asset class: _____		
2 (breakdown of adjusting journal entry	—	—
Net asset class: _____		
3 (breakdown of adjusting journal entry	—	—
Net asset class: _____		
4 (breakdown of adjusting journal entry	—	—
Net asset class: _____		
5 (breakdown of adjusting journal entry	—	—
Net asset class: _____		
6 (breakdown of adjusting journal entry	—	—
Net asset class: _____		
7 (breakdown of adjusting journal entry	—	—
Net asset class: _____		
8 (breakdown of adjusting journal entry	—	—
Net asset class: _____		
9 (breakdown of adjusting journal entry	—	—
Net asset class: _____		
10 (breakdown of adjusting journal entry	—	—